



January 31, 2011

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

***Ex Parte Notice***

***A National Broadband Plan for Our Future, GN Docket No. 09-51; Connect America Fund, WC Docket No. 10-90; High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service; CC Docket No. 96-45***

Dear Ms. Dortch:

On Friday, January 28, 2011, the undersigned, on behalf of the National Telecommunications Cooperative Association (“NTCA”), together with Joshua Seidemann from NTCA; Jim Frame and Joe Douglas from NECA; Ron Laudner, Randy Tyree, Stuart Polikoff, and Brian Ford from OPASTCO; Derrick Owens and Gerard Duffy from WTA; Glenn Brown and Paul Cooper from the Rural Alliance; Robert DeBroux from TDS Telecom; Roger Nishi from Waitsfield and Champlain Valley Telecom; and Mark Gailey from Totah Telephone Cooperative (collectively, the “Rural Representatives”) spoke via teleconference with Chairman James Cawley from the Pennsylvania Public Utility Commission; Commissioner John Burke from the Vermont Public Service Board; Commissioner Anne Boyle from the Nebraska Public Service Commission; Commissioner Larry Landis from the Indiana Utility Regulatory Commission; Simon fftich from the Washington State Attorney General’s Office, all in their respective capacities as members of the Federal-State Joint Board on Universal Service, together with Robert Loube and Peter Bluhm from Rolka, Loube Saltzer Associates. The Rural Representatives discussed aspects of the National Broadband Plan, including the proposed Connect America Fund, its interaction with a revised Universal Service Fund (“USF”), and data that might be available to help assess the impact of proposed reforms on rural consumers and service providers.

The Rural Representatives discussed a number of issues that their constituents view as critical elements in a rational design to advance broadband deployment, network operations, and sustainable adoption in rural America. These issues include: assuring a broadband support mechanism that is consistent with the existing statute governing USF; promoting job growth and economic development; encouraging incentives for broadband deployment and customer adoption; recognition of carrier of last resort obligations and protections for consumers; and an implementation timetable that will help ensure regulatory certainty. Positions of the Rural Representatives are outlined in the attached material, presented during this discussion.

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Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2016 or [mromano@ntca.org](mailto:mromano@ntca.org).

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President – Policy

MRR:rhb

Enclosure

cc: Chairman James Cawley  
Commissioner John Burke  
Commissioner Anne Boyle  
Commissioner Larry Landis  
Simon fftich  
Robert Loube  
Peter Bluhm



The Rural  
Alliance

# ***Implementing the Connect America Fund for RLECs***

**WC Docket Nos. 10-90, 05-337,  
GN Docket No. 09-51**

# *Reform Considerations*

- Complex issues for FCC and industry.
  - Effective incentives for future rural broadband deployment.
  - Avoiding adverse impacts on rural consumers.
  - Perception of “rural/rural divide”; statutory mandate for reasonable comparability.
  - Meeting statutory goals of predictability and sufficiency.
  - Existing investments made under current rules need to be recovered.
  - Assuring efficiency and accountability.
  - Keeping fund size reasonable.
  - ICC reform for changing markets is a critical complement to USF reform.

# *Rural Group CAF Objectives*

- Develop a specific Broadband support mechanism for Rural Rate of Return Local Exchange Carriers (RLECs) that:
  - Is consistent with existing statute and legal framework governing USF (specific, predictable and sufficient);
  - Promotes job growth and economic development in rural areas;
  - Incorporates effective and efficient incentives for deployment, network maintenance and upgrades, and customer adoption;
  - Recognizes critical carrier of last resort (CoLR) responsibilities and protects consumers;
  - Is ready to begin implementation by 1/1/2012, in order to restore regulatory certainty.

# *RLEC Proposal for CAF*

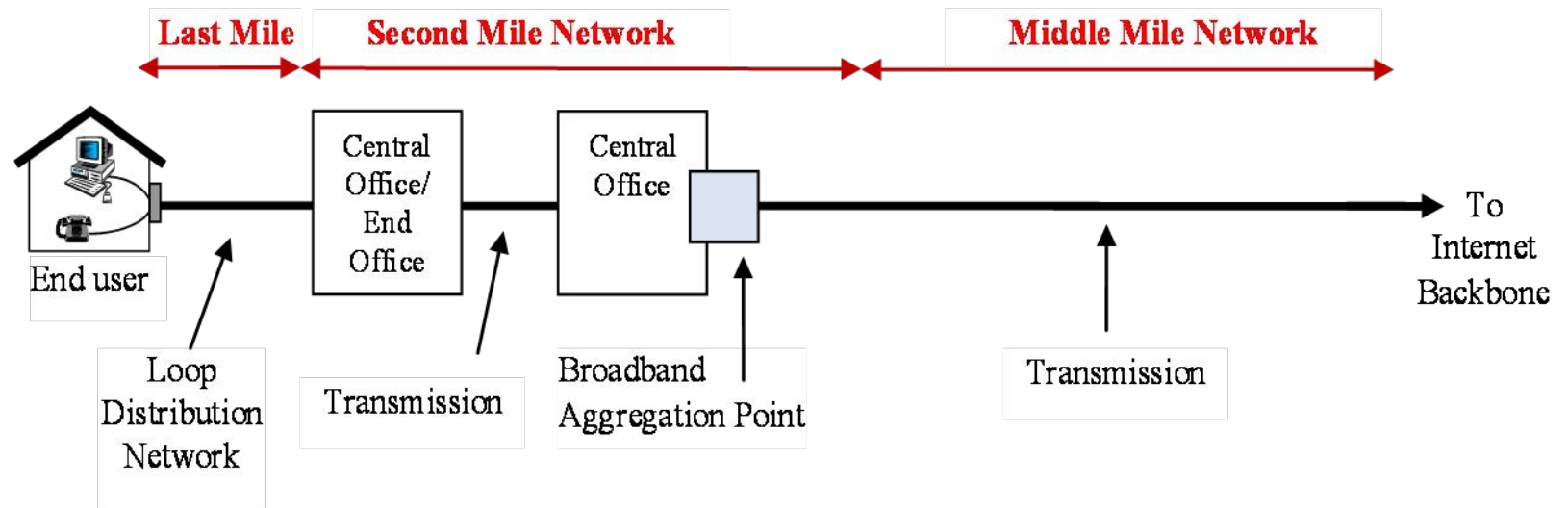
- Basic approach compares actual RLEC network broadband transmission costs to an urban broadband transmission cost benchmark.
- Funding based on difference between rural and urban costs.
- Goal is to assure rural end users have access to broadband services that are reasonably comparable to urban services, at reasonably comparable rates.
- Flexible approach – can include incentives for broadband adoption, efficiency and accountability measures.
- May provide for increase in last-mile line costs assigned to interstate.
- Administrative ease for implementation and transition from existing rules and programs.
- ICC reform issues are also important – address consistent with recent Rural Association proposals.

# ***RLEC CAF***

- Identify Interstate Broadband Last Mile Costs.
- Add Second Mile, Middle Mile, Internet Connection costs.
- Total is Rural Broadband Costs.
- Subtract Urban Benchmark.
- Result equals support recoverable under RLEC CAF.



# *Rural Broadband Transmission Costs*





# *The Urban Benchmark*

- The Urban Benchmark captures the transmission costs associated with providing end-to-end Internet access service in urban areas.
- Actual urban cost data not required for benchmark:
  - Benchmark could be determined on the basis of surveys of prices for Internet access service in metropolitan areas, less a factor to account for non-transmission costs.
- Goal is to make rural rates and services reasonably comparable to urban by providing support where costs are in excess of the benchmark.

# *Transitioning from Existing Programs*

- Reasonable transition for recovery of existing investments under current rules:
  - Shift of broadband costs to interstate jurisdiction and potential CAF recovery could be “phased in” over multi-year period.
  - HCL amounts would be phased out as additional last mile costs are migrated to CAF recovery.
  - As support for broadband lines is transferred to the CAF, ICLS is phased out, by being used only to support voice-only switched access lines during transition to all broadband network.
  - Limited modifications to existing rules needed to begin implementation by 2012.
  - Allows time for comprehensive review of various accounting, separations and other rules while transition is underway.
- Future investments to be included in CAF recovery will be a function of how Broadband is defined, CoLR responsibilities, and funding levels.

# *A Plan for Success*

- Proposed framework would include features, such as the benchmark, to encourage efficient and effective operations and network deployment based upon customer demand and requirements.
- Proposed framework ensures accountability:
  - Existing cost accounting, verification, and audit procedures remain in place.
  - Funding linked to satisfying reasonable but meaningful CoLR obligations, ensuring support is reinvested in the network in rural, high-cost areas.

# *Issues for Further Consideration*

- What should be required of CAF recipients?
  - Quality voice and broadband?
  - How and when to (re)evaluate reasonable comparability?
- What does it mean to be a CoLR?
- What is the role of the States with respect to broadband-capable networks?

# *Summary of RLEC CAF Goals*

- Ensure consistency with statutory universal service mandates and policies.
  - Achieve “reasonably comparable” rates & services.
  - Support remains “specific, predictable and sufficient.”
- Recognize critical RLEC Carrier of Last Resort responsibilities.
  - Specific CoLR obligations linked to funding.
- Ensure recovery of existing investment made under current rules.
- Provide sufficient funding for maintenance and upgrades.
- Include incentives for efficient and effective broadband deployment and adoption.
- Workable and easy-to-implement -- builds on and improves existing network and regulatory structures.
- Avoid endless battles over cost models & reverse auctions.
- Avoid disruptions for consumers.